

MINUTES
BOARD OF TRUSTEES SPECIAL MEETING
Montana Historical Society Auditorium
Friday, February 23, 2007

In attendance were Montana Historical Society Board of Trustees members Jim Murry, Crystal Shors and Jim Utterback, and attending by teleconference were Jim Court, Tom Foor, Bill Holt, Kent Kleinkopf, Katherine Lee, Sharon Lincoln, and Lee Rostad. Also in attendance were MHS Director Richard Sims, MHS Centralized Services Manager Denise King, MHS Public Information Officer Tom Cook, MHS Administrative Officer Gena Ashmore, Dallas Smilie from the Department of Administration Director's Office, Tom O'Connell from Department of Administration Architecture & Engineering Division, Joe Triem from Department of Administration Design & Construction Bureau, and Commissioner Keith Kelly from the Department of Labor and Industry. Members of the public in attendance were Kathy Burwell from the Helena Chamber of Commerce, Jim Cottrill from Hometown Helena, Amy Sullivan from the Montana History Foundation, and John Harrington from the Independent Record.

CALL TO ORDER

Vice President Jim Murry called the meeting to order at 2:30 p.m. Jim said the discussion would be held to 30 to 45 minutes, giving everyone a chance to express their opinions. Jim asked for a role call from the Board, and he asked all guests to introduce themselves. Jim asked Richard Sims to give some opening remarks to help focus on what the meeting was about.

Richard Sims said this is a momentous occasion with a momentous decision to be made to continue the forward movement of the Montana Historical Society. We are in a building that is over half a century old, and we want to be able to realize new facilities in the not-too-distant future that we can live in and provide greater service to Montana for well beyond the next half century. The impetus for the meeting has been discussions we have had as Board and staff, discussions the Board has had with the Department of Administration, and discussions we have had in the community and around the State regarding the future of the Society and an expanded facility. All of those discussions have led to this moment where we feel it is time to make a decision that will generate the necessary related activities towards a real estate transaction.

Jim Utterback made the following motion and Crystal Shors seconded:

The Board of the Trustees of the Montana Historical Society recommends to the Department of Administration, State of Montana, that a sum not to exceed seven million dollars be offered to Westfield Properties as authorized in HB 540 to effect purchase of the Capitol Hill Mall site in Helena, Montana.

Jim Utterback gave a background on the problems the mall presents to the State being able to accomplish this purchase. Interested parties would be Westfield Properties' lender, Intermountain Children's Home, the tenants of the mall, and Westfield Properties. The appraisal at \$10 million has created some problems. The appraisal looks at the mall as a mall. If we were

to buy the property, it is generally considered that the mall should be torn down as it is not suitable to be converted to a useful museum that the State of Montana would want and that we would all be proud of. The underlying economics of the mall has created some problems. The mall is \$10 million in debt. Several years ago the Intermountain Children's Home Board subordinated its position in its nine acres to that loan, so the loan would have to be paid to get Intermountain's property released. There are several tenants that have leases that stretch out two to five years that have to be taken care of. Intermountain thinks its property is worth \$3 million. If the mall were torn down and the land vacant, the property might be worth \$3 million. With Intermountain's lease, which is close to \$60,000 per year for about 40 more years, the land is worth about \$850,000 based on the present value of the future earnings off that lease. No one on our Board wants to see Intermountain get hurt. Westfield Properties has asked us for an offer that they can start negotiations with. Westfield has indicated that its lender might be willing to take some discount on the note. Westfield has to do something with Intermountain, and it has to in some way satisfy some of its tenants. It is not an uncomplicated process. This motion gets the ball rolling if the State takes the Board's recommendation to make an offer.

Tom O'Connell asked for clarification on the motion. Tom asked what the \$7 million offer included. In the due diligence work that was done initially, it was the intent to get all of the property including the Bison Engineering property. Jim Utterback said the motion does not address the Bison Engineering property. The reason for the \$7 million figure is that we were authorized \$7.5 million. We have been authorized to spend about \$250,000 on a site suitability study, and we have had some other expenses.

Richard Sims said what we are doing today, should this motion pass, begins the process of purchasing the mall. We are merely recommending to the Department of Administration, which has purchasing authority, to exercise our bonding authority towards that real estate transaction. There are many other avenues of work and tasks to address as we head towards closing the deal. We are initiating a process that could take several months. We are also initiating a master planning process quite soon that will work in tandem with the purchase.

Jim Murry called for the vote. All voted in favor of the motion, and the motion passed unanimously.

The agenda progressed faster than expected, so it was decided to offer public comment early and any further public comment would be accepted into the record. Cathy Burwell from the Helena Chamber of Commerce commended the Board for stepping up and taking charge. The Chamber is behind the Board and is ready to help out in any what it can. Obviously this is a great thing for the State of Montana, but it is also great for Helena. The Chamber will be there for the Society, wants to be a partner with the Society, and will do everything it can to support the Society. Jim Murry responded that the success of what the Society is doing will depend a great deal on the support of the business community, and we deeply appreciate the Chamber's support.

Lee Rostad moved to adjourn the meeting, Sharon Lincoln seconded, all voted in favor, and the meeting adjourned at 2:50 p.m.